D2N2 Investment Board – August 2020

Agenda Item 4 **Public** Restricted Controlled Confidentiality Level Commercially sensitive Meeting and Date D2N2 Investment Board – 4th August 2020 Subject D2N2 Capital Performance Overview Author T Goshawk Total no of sheets (Excluding cover sheet) Papers are provided for: Approval Discussion Information Summary and Recommendations The Board are asked to note the progress report on the D2N2 Capital programme. The report highlights the current position on the programme and provides an update on each of the projects.

D2N2 INVESTMENT BOARD

June 2020 D2N2 Capital Programme Update

Introduction

The following paper provides an overview of the LEPs Local Growth Fund programme, including an update on progress against the financial targets for this year.

Covid 19 has had an impact on many parts of the programme, therefore this paper highlights the current position of the 'live and upcoming' projects in the programme and the mitigation strategy where there is one in place.

Annex A – A paper providing an update to the Getting Building Fund submission

Annex B – Project Change Requests – Vesuvius Works

Annex C - Copy of the LGF Q4 2019/20 Monitoring Spreadsheet

Performance Update

Coming into the last year of the programme the LEP has £40,086,356 of its £250.7m Local Growth Fund budget left to spend before the March 2021 deadline. Of the £40m allocated within this year, D2N2 have recorded £7,581,062 in the first financial quarter of the year. LEP Officers are working closely with project sponsors for all projects that are 'live' and still 'awaiting approval' to monitor the ability to spend by the deadline, based on spend to date and forecast spend we are confident this figure can be met.

At this moment in time based on the current assessment of the programme and if all the projects are approved as set out, we believe we will be on track to deliver the full programme target by the end of this financial year. We have also over profiled by £2M to provide a buffer against any underspends.

A full budget breakdown is included within **Item 5** which includes both the financial position of the overall programme from 2015-2021 as well as a breakdown of each projects LGF drawdown for each financial quarter in 2020/21.

The LEP has recently been engaged within a pipeline process to determine projects for submission to the Governments new 'Getting Building Fund'. Following this process 10 projects have been submitted to the Government, next steps at the time of writing are unknown for the fund but D2N2 will engage with the project sponsors once they are known. Further details of the process and projects are included in Annex A.

Pipeline Call

In order to be able to respond to future funding calls with efficiency we are looking to prepare a pipeline of projects which can be called upon to submit to Government. Therefore, we will be looking to announce a new call for projects on the 5th of August and will open this to all parties to submit priorities for scoring. Further details around timescales will be provided as part of the call for projects on the 5th of August.

Annex A – Getting Building Fund

D2N2 along with all other LEPS were invited by the Secretary of State Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government on the 10th June to prepare a list of 'development ready' projects to be submitted to MHCLG by the 18th of June for consideration as part of a July fiscal announcement.

The key focus was to urgently identify schemes that were immediately deliverable to stimulate economic activity and crucially support job creation in the context of a post-COVID recovery strategy. The LEP undertook a short-term pipeline call to identify projects to submit to Government.

Following this process, the LEP initially identified 19 projects which scored above the 61- point threshold which considers projects to be deliverable.

The total funding requested from D2N2 was £91.067m with £38.66m to the accelerated projects list and £52.4m to the new projects list. Five of these projects were included within the accelerated projects list and the other 13 in the new projects list.

On the 1st of July it was announced that D2N2 would receive **£44.4m** of funding from the Getting Building Fund. As part of this settlement it was agreed that D2N2 will engage with local leads from the Department for BEIS to submit a finalised list of projects to the Government by the 17th of July to be formally approved by Ministers.

In order to be able to submit a finalised list of projects we have undertaken a further assessment of the prioritised projects, with each project requested to submit an Expression of Interest form to the LEP on the 13th of July providing additional information to be scored and independently moderated by Thomas Lister to enable the prioritisation.

As a result of this scoring and moderation process, the projects listed in Table 1 is being put forward to Government following approval by LEP Interim Chair as agreed at the 8th of July Board meeting, and endorsement by the S151 officer of the Accountable Body as required by government.

This submission contains 10 projects totalling £46,657,000 and are set out in Table 1. In light of previous experiences in management of the capital programme we have proposed to over programme our Getting Building Fund by £2.257m

which will be managed through changes in viability or any slippage. Any remaining over programme will be met by from the Growing Places Fund in the same way we currently manage the Local Growth Fund.

All projects being put forward are still subject to final approval by the Minister and will need to deliver a full business case compliant with the Local Assurance Framework, addressing any issues highlighted during the initial assessment.

All projects that are not being taken forward through this specific funding call (Listed in Table 2), will continue to be progressed and will remain on the pipeline of projects to be considered for any future funding awards if they are able to address the issues flagged through the assessment.

A brief explanation on the rationale for the revised score is included in the table.

Table 1 - Projects for submission

Project Name and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
Berry Hill, Mansfield	The Berry Hill site forms an urban extension to the Mansfield district. Work is well underway on phase 1. To accelerate phase 2, funds are requested towards the spine road, which will unlock the site to create new homes, school, shops, Green Infrastructure and Employment Land.	£3million	Housing	75	The project will continue on the delivery of the first phase which has proved successful with Homes England Intervention The second phase is delivery ready and can progress quickly once funding is awarded The project represents good Value for Money in return for investment
Digital Advanced Manufacturing and Engineering	The project will fund the development of a centre of excellence at Chesterfield College to support	£0.5million	Skills	71	- The project has been well developed and evidence of both need and demand for courses has been included in the EOI

Project Name and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
Centre, Chesterfield	learners to develop much needed digital skills and the practical skills for modern construction techniques. The new centre will deliver higherlevel skills within the industry and meet the demands of the local area.				- The project can deliver quickly and presents very low delivery risk - The outputs for the project are good in return for the level of investment
UK Electrification of Aerospace Propulsion Facility, Nottingham University	Part of a £1bn+ vision for the East Midlands to regain its pre-eminence as the world's foremost location for aerospace innovation - protecting the 40,000-aerospace supplychain jobs in the region. This national facility will support a green recovery for the UK aerospace industry through the development of sustainable and competitive electrified propulsion systems.	£7.6million	Innovation	70	- The project can deliver quickly and capital equipment purchases give confidence of delivery - The University of Nottingham have engaged well with business and have identified industry partners to support and collaborate with in the project - The project offers good value for money and targets key sectors of D2N2 as well as LIS objectives for clean growth
Bridge Court Campus, Worksop	The regeneration of Bridge Court will facilitate the delivery of a state-of-the- art University campus in Worksop town centre in	£3.5million	Skills	68	- The project will deliver learning in subject areas of need and has engaged well with the appropriate industries to deliver this training

Project Name and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
	partnership with the University of Derby and Doncaster & Bassetlaw Hospitals Trust. This Campus will address a training need in the health sector, enable the upskilling of young people and carers, and increase the engagement of local people in higher education.				Evidence of demand for the learning places has been well presented The project can deliver quickly and presents low delivery risk to the LEP
Digital Turbine Centre, Worksop	This project will establish a 5G Innovation Hub in the Turbine Centre in Worksop, providing enhanced digital connectivity throughout the centre. It will also enable the prototyping and launching of the world's first 5G devices from the Hub and the delivery of certified business engagement and digital training on 5G & related technologies.	£0.5million	Digital Infrastructure	65	 The project meets the objectives of innovation and will target business productivity in alignment with the LIS The project is highly deliverable and presents minimal risk in delivery The project will help to safeguard jobs alongside the benefits from innovation
Glossop Town Hall, Glossop	The renovation and repurposing of Glossop Town Hall, Market Hall	£2million	Regeneration	65	- The projects first phase is ready to commence and can utilise GBF allocations quickly

Project Name and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
	and Municipal Buildings for use as business start-up space, with a focus on creative industries, and modern multi-use event space accommodating food and drink businesses, general and specialist retail.				- The project provides a joint partnership working model with the private sector and looks to develop spaces for growing SMEs, with evidence of demand - The value for money generated from outputs is good against the investment required
Drakelow Park, South Derbyshire	Infrastructure project on the road network to support a larger bridge/bypass scheme including bypass bridge to Burton and better road traffic links between South Derbyshire, East Staffordshire and the wider West Midlands. This is linked to the regeneration of the former Drakelow Power Station site enabling 2239 homes (193 built) and up to 30 acres of industrial and commercial use land.	£2.6million	Regeneration	64	 The project delivers significant amounts of outputs for the level of GBF required. The project will work in partnership with Stoke and Staffs LEP to deliver a joint growth priority for the two areas. Stoke and Staffs LEP are also contributing £5m to the overall scheme The LEP will continue to monitor the viability of the project and will utilise external expertise to make sure the right level of grant intervention is given to the project.
MRC Midlands, Derby	The MRC Midlands will be the first project of its kind in the region. It will spearhead innovation-led	£6.85million	Innovation	63	- The project will deliver good outcomes for the entirety of the D2N2 area and delivers on the

Project Name and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
	advanced manufacturing to boost the resilience of Derby's economy. Through providing access to cutting edge research and development facilities, the project will create jobs, transform supply chains and enable business growth.				innovation and productivity themes of the LIS - The project sponsor has formed strong partnerships to deliver the project and is working to establish both strong research and industry collaborations.
Transforming Nottingham's Southside, Nottingham	Demolition and rebuilding of the former Intu site, and enabling infrastructure which will bring forward new additional job creation on the site and surrounding areas as well as new homes in the City Centre.	£7.99 Million	Regeneration	61	 The project provides clear additional outputs including 733 additional jobs and 868 homes to the related project previously funded from the Local Growth Fund. -Match funding secured through transforming cities fund - The project works to deliver on a significant priority for the City and LEP area. - The project will enable significant additional private sector investment into the region.

Table 2 – Projects not being submitted to Government

Project Name, Sponsor and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
Digital Business Growth - Better Broadband for Nottinghamshire (Phase 3 extension)	Driving business growth and job creation by extending fast and reliable broadband services. High levels of ultrafast coverage would support new investment and act as a catalyst for new business start-ups, support homeworking and micro businesses.	£2 million	Digital Infrastructure	59	The project could potentially enable the delivery of Broadband to areas where this resource is not available Delivery risks surround the project as take up from the open market may not be met through the scheme which poses a risk The project involves funding of a voucher scheme and therefore doesn't directly deliver infrastructure as previous similar projects
D2N2 Emergency Growth Fund	Pace, flexibility and scale are key to maintain business confidence. We will create a LEP-wide capital grant and loan fund that has the scale to support meaningful job creation. It will be flexible and be tailored to each city or area's sectoral mix and opportunity set.	£6.5 million	Enterprise	58	 The project presents a good opportunity to enable businesses to deliver on capital purchases Uncertainty remains over the ability to spend the GBF allocation in the timeframe given its reliant on demand from the private sector A potential issue was found around the use of capital funding for Research and Development under a section 31 grant
DRIIVe (Derbyshire Rail Industry	The project capitalises on opportunities presented by HS2 and the rail sector in	£0.5million	Skills	58	- The project fits well with the strategic objectives of the LEP and

Project Name, Sponsor and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
Innovation Vehicle) Chesterfield	Chesterfield, including investment from Talgo, who, as part of its 'All Britain Strategy' is seeking to develop a modern rail innovation and training centre focussed on green technologies. The DRIIVe centre will facilitate growth in the supply chain and create a pipeline of skilled workers for the rail industry.				would provide good employment and training opportunities. - Planning permission and match funding for the development are still required to be completed which presents a risk to delivery. - The project is at too early a stage for funding with delivery risks in place and needs to continue to be worked upon to achieve a funding award.
The Avenue, North East Derbyshire	Provision of a new roundabout on the A61 including a link road. This will enable the development of dependent elements of the Avenue site delivering local employment, residential development and public open space.	£6.3 Million	Regeneration	57	 The project presents a good strategic opportunity to aid the development of a major mixed-use development in the area. The project still needs to finalise revised designs and secure land and negotiate S106 in order to deliver therefore still has a number of risks on its ability to meet the timelines in its current state
Zero Carbon Demonstrator – Top Wighay Farm, Hucknall	The Top Wighay development will bring significant housing, green and digital infrastructure plus regional facilities to Ashfield and Hucknall. To unlock its full potential and	£5.95million	Regeneration	57	- The project aligns well with the strategic aims of the LIS and would aid the clean growth agenda -Market demand assessments for the project were not clear

Project Name, Sponsor and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
	stimulate green economic growth, funding is sought to bring forward a new Community Workspace Hub as a Zero Carbon demonstrator for the region. The new hub will offer employment space, full fibre digital and public facilities, including renewable energy generation.				- The project is deliverable with NCC as the landowner and match funder but is currently underdeveloped to be put forward for submission at this point in time.
Whitwell Colliery Reclamation - mine water project to create district heating system, Bolsover	A low carbon energy district heating system powered by mine water is proposed as part of the reclamation of a former spoil heap to prepare the site for development. The subsequent development of the site will include 600 houses, 5 hectares of employment land and new country park.	£4million	Clean Energy/Resource Efficiency	56	 The project presents a delivery risk to spending the allocation of GBF requested due to the later start of the project with all spend in the last quarter of 2022. Potential issues with relation to State Aid were identified within the assessment process relating to the delivery of the commercial development
Southern Link Road /Land South of Newark	Construction of the Southern Link Road (SLR), unlocking and accelerating the delivery of 2,550 homes, 5,000 jobs, a new country park, new	£9million	Housing	53	- The project is fully costed and partially delivered however there remains to be a gap in the match funding to accompany the GBF.

Project Name, Sponsor and Location	Description	Bid Value	Project Type	Score	Summary of Assessment
	primary school, and community facilities. The project has political, community, and public				- The project presented delivery risk in terms of timing for any GBF allocation to be utilised.
	authority support.				- Work has not been completed with regards to the finalised viability appraisal for the project.

Annex B - Project Change Request

Project Name/ Promoter and description	Change Description	Reason for the Change	Impact of the change	Officer Recommendation
Vesuvius Works	Outputs – 95 jobs to move from Q1	The main contractor on the site was put in	The project will deliver its first 95	The Investment Board are recommended to
Dooba Developments Limited	2020/21 to Q3 2020/21.	to administration in December 2019 which caused delays to the project. Following this and the Covid 19 outbreak there has been a reduced workforce on the site and the opening of the new food store is delayed as a result.	jobs two quarters later than profiled however this will still return the job delivery in this financial year so won't affect programme outputs.	accept the change request and D2N2 will continue to work with the sponsor to mitigate these circumstances and accelerate delivery where possible.

Annex C -LGF Q4 2019/20 Monitoring Spreadsheet

Derby, Derbyshire, Nottingham and Nottinghams

This Quarter: Q4_192

LEP Name

Length of Newly Built Road Length New Cycle Ways

		D	eliverables Prog	ress					
	This Quarter	15-17			Financia	al Year			Tota
Housing	i nis Quarter		17-18	18-19	19-20	20-21	21-25		
Houses Completed	-30	128	589	474	325	0	-	-	1,51
Forecast for year	510	878	1,140	1,150	510	2,260	1,393		7,33
Progress towards forecast	-6%		52%	41%	64%	0%	-	-	21%
Jobs									
Jobs Created	6.438	373	1,295	2,043	6,736	0	-	-	10,44
Apprenticeships Created*	0	0	0	0	0	0	-	-	0
Jobs including Apprenticeships	6,438	373	1,295	2.043	6,736	0			10.4
Forecast for year	4,961	375	2.002	2,156	4,961	6,505	16,593		32,5
Progress towards forecast	130%		65%	95%	136%	0%	0%	-	329
* Apprenticeships included within jobs totals p Skills					_	_			
	0	5,430	13,500	2,000	0	0	-	-	20,9
Area of new or improved floorspace (m2)						15,490	0		34,4
Area of new or improved floorspace (m2) Forecast for year	0	5,430	13,500	0	0				
Area of new or improved floorspace (m2)	-	5,430	13,500 100%	-	-	0%	-	-	61%
Area of new or improved floorspace (m2) Forecast for year		5,430					-	-	2,12
Area of new or improved floorspace (m2) Forecast for year Progress towards forecast	-		100%	-	-	0%			

Project RAG Ratings Previous Quarter This Qu							
Project Name	Q3_1920	Q4_1920	Project Name	Q3_1920	Q4_1920		
Infinity Park , Derby	AG	AG	HS2 Toton	G	G		
Bioscience Expansion, Nottingham	G	G	HS2 Staveley	G	G		
Nottingham Skills Hub	G	AR	Sutton Indoor Market	G	G		
Nottingham Broadmarsh	G	G	Derby Cycling and Placemaking	G	G		
Chesterfield Centre Higher Level Skills	G	G	Midland Mainline	G	G		
Vision University Centre, Mansfield	Α	G	Sherwood Visitor Centre	G	AG		
Harworth Access Road	G	AG	Sherwood Energy Village	G	G		
Derby Placemaking-The Spot	G	G	Silk Mill World Heritage Site	G	AR		
Nottingham Cycle City Ambition Package	G	G	N2 Towns	AG	AG		
Newark Southern Link Road	R	R	MTIF	G	AG		
Seymour Link	G	G	Gedling Access Road	G	AG		
A57/A60 Junction Worksop	G	AG	Nottingham Castle	G	G		
Nottingham Broadband	G	G	Vesuvius	AG	AG		
Derbyshire Broadband	G	G	Technology Hub	G	G		
Our City Our River	AG	A	Rail and Research Centre	G	G		
LEP Management & Feasibility Funds	G	G	Riverside Business Park	G	A		
D2N2 Sustainable Transport	G	G	New Assembly Rooms	G	N/A		
A61 Programme	AR	AR	HS2 Strategic sites	N/A	G		
Enterprise Zone Sustainable transport	G	G	Ashbourne Airfield	N/A	N/A		
A52 Wyvern	A	A	-	-	-		
A46 Corridor, Rushcliffe	A	A	-	-	-		
Buxton Crescent	G	A	-	-	-		
Institute for Advanced Manufacturing	G	G	-	-	-		
Becketwell	G	G	-	-	-		
Medicity	G	G	-	-	-		
Coalite	AG	G	-	-	-		
Ada Lovelace House	G	G	-	-	-		
Bulwell Market	G	G	-	-	-		
Dakeyne Street	G	G	-	-	-		
Southern Growth Corridor	G	G	-	-	-		

Performance Area lead comments

			Fina	ncial Progress					
LCE Awar		2015-16	2016-17	17-18	18-19	19-20	20-21	Total	
LGF Award		£39,050,000	£55,400,930	£66,388,375	£32,359,889	£17,424,093	£40,086,356	£250,709,642	
Financial Year									
LGF Outturn	This Quarter		15-17	17-18	18-19	19-20	20-21	Total	
Actual	£ 17,251,652		£ 83,696,630	£ 34,868,738	£ 45,662,035	£ 46,395,884	£ -	£ 210,623,287	
Forecast for year	£ 47,503,269		£ 83,696,630	£ 34,872,601	£ 52,126,241	£ 47,503,269	£ 36,844,901	£ 255,043,642	
Progress towards forecast	36%			100%	88%	98%	0%	83%	
LGF Expenditure	£ 20,449,553		£ 73.291.620	£ 29.400.573	£ 42.132.101	£ 54,054,308	f -	£ 198.878.602	
Forecast for year	£ 20,449,553 £ 47.503.269		£ 83.696.630	£ 29,400,573 £ 34,872,601	£ 42,132,101 £ 52,126,241	£ 47,503,269	£ 36.844.901	£ 198,878,602 £ 255,043,642	
Progress towards forecast	43%		2 03,030,030	84%	81%	114%	0%	78%	
Non-LGF Expenditure									
Actual	£ 26,411,733		£ 88,876,483	£ 71,755,207	£ 53,312,119	£ 85,242,996	£ -	£ 299,186,804	
Forecast for year	£ 176,958,385			£ 77,471,352	£ 77,471,351	£ 176,958,385	£ 144,199,943	£ 476,101,030	
Progress towards forecast	15%		-	93%	69%	48%	0%	63%	
Total LGF + non-LGF Expen	diture								
Actual	£ 46,861,286		£ 162,168,103	£ 101,155,780	£ 95,444,221	£ 139,297,304	£ -	£ 498,065,407	
Forecast for year	£ 224,461,654		£ 83,696,630	£ 112,343,953	£ 129,597,592	£ 224,461,654	£ 181,044,844	£ 731,144,672	
Progress towards forecast	21%			+90%	+74%	+62%	+0%	68%	

Contractual Commitments (r	nanual entry)							
		15-17	17-18	18-19	19-20	20-21	Total	
Forecast		£ 83,700,000	£ 34,870,000	£ 51,510,000	£ 46,000,000	£ 34,630,000	£	250,710,000
Actual		£ 119,383,080	£ 15,760,970	£ 76,444,220	£ 19,277,975		£	230,866,245
Variance		+43%	-55%	+48%	-58%	-100%		-8%

Commentary

Comparison of the Nottinghamshire Broadband project has connected an additional 169 premises to Superfast broadband and the Derbyshire Broadband programme has connected an additional 2,294 premises. 6,420 jobs were achieved in the Quarter 4 monitoring period against a total of 5031, which is a higher than expected figure due to the two broadband projects. In October 2017, the broadband projects and the LEP commissioned Regeneris to undertake a review of the impact on the economy of investment into superfast broadband. This report evidences a methodology which calculates the jobs created using Gross Value Added (GVA) from 4 types of benefits which are created by investment in superfast broadband; productivity benefits, innovation benefits, business start ups and flexible working benefits.

superfast broadband; productivity benefits, innovation benefits, business start ups and flexible working benefits.

Not all projects have been able to report job outputs due to businesses being closed at the end of March, it is hoped these figures can be reported at a later date in the year. 1,178 learners have been delivered in Quarter 4, this large figure is mainly due to the reporting of the cumulative figures for Vision, following the reconciliation of their own learner numbers for the review and reprofile that took place in March. The target of -670 is a result of this reprofile to ensure the Vision project is showing the correct target figure for the end of quarter 4. All 3 learner projects continue to report close to target figures and overall learners are delivering 124% against its target (target 1709/actual 2122). Housing outputs had to be corrected this quarter due an error on the Harworth project reported last quarter and therefore showing a distorted view of delivery on quarter 4. However they are still behind on their targets due to the Newark project. This continues its discussions with Homes England regarding funding and is working towards a resolution to solve the output delivery issues

Additional outputs to be reported this quarter are 153 new cyclists from the D2N2 Sustainable Transport project.

Additional outputs to be reported this quality are 155 new cyclists from the DZPx2 sustainable Transport project.

The cumulative position on the number of learners supported who are defined as 'people engaged in learning activities' is that we have achieved 111,674 against a target for the programme of 147,000 to 2035.

Forecasts for projects who have had a reprofile approved have been updated.

Outturn/Expenditure - All projects have expenditure higher than grant given. All of the previous years underspend has been spent and we move into the 20/21 financial year with just

LEP Chief Executive Approved				
Name	Sajeeda Rose			
Signature	Office.			
Date	24/07/2020			

Section 151 Officer Approved			
Name	Peter Handford		
Signature	P Hadford.		
Date	24/07/2020		